

Charter Township of Independence Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2007**

Charter Township of Independence

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Independent Auditor's Report

To the Honorable Members
of the Township Board
Charter Township of Independence
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence (the "Township") as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules of the General Fund and Major Special Revenue Funds and the pension system schedule of funding progress and employer contributions identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Members
of the Township Board
Charter Township of Independence
Oakland County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Independence's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 13, 2008

Charter Township of Independence

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Independence's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Governmental Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	2005	2006	2007	Change from Prior Year	
				Amount	Percent
Assets					
Current assets	\$ 22,295,804	\$ 24,289,434	\$ 22,788,364	\$ (1,501,070)	(6.2)
Capital assets	15,320,635	14,847,766	15,565,941	718,175	4.8
Total assets	37,616,439	39,137,200	38,354,305	(782,895)	(2.0)
Liabilities					
Current liabilities	13,127,729	13,360,307	13,615,912	255,605	1.9
Long-term liabilities	885,225	1,193,196	823,484	(369,712)	(31.0)
Total liabilities	14,012,954	14,553,503	14,439,396	(114,107)	(0.8)
Net Assets					
Invested in capital assets -					
Net of related debt	14,445,252	13,500,132	14,689,675	1,189,543	8.8
Restricted	5,965,369	7,217,041	5,279,489	(1,937,552)	(26.8)
Unrestricted	3,192,864	3,866,524	3,945,745	79,221	2.0
Total net assets	\$ 23,603,485	\$ 24,583,697	\$ 23,914,909	\$ (668,788)	(2.7)

Charter Township of Independence

Management's Discussion and Analysis (Continued)

	2005	2006	2007	Change from Prior Year	
				Amount	Percent
Revenue					
Program revenue:					
Charges for services	\$ 3,409,517	\$ 3,348,595	\$ 3,093,159	\$ (255,436)	(7.6)
Operating grants and contributions	100,577	173,356	355,780	182,424	105.2
Capital grants and contributions	272,395	660,634	30,600	(630,034)	(95.4)
General revenue:					
Property taxes	10,516,078	11,050,191	11,763,959	713,768	6.5
State-shared revenue	2,473,666	2,427,673	2,396,003	(31,670)	(1.3)
Investment earnings	496,849	649,538	1,144,885	495,347	76.3
Franchise fees	318,615	362,087	392,805	30,718	8.5
Miscellaneous	60,722	75,212	81,468	6,256	8.3
Total revenue	17,648,419	18,747,286	19,258,659	511,373	2.7
Program Expenses					
General government	2,693,708	2,698,114	2,797,954	99,840	3.7
Public safety	8,089,031	9,116,398	9,774,226	657,828	7.2
Public works	526,736	607,654	681,544	73,890	12.2
Public services	1,531,747	1,439,503	1,791,573	352,070	24.5
Health and welfare	87,226	107,200	528,164	420,964	392.7
Recreation and culture	4,168,746	3,740,799	4,305,145	564,346	15.1
Interest on long-term debt	86,624	57,406	48,841	(8,565)	(14.9)
Total program expenses	17,183,818	17,767,074	19,927,447	2,160,373	12.2
Change in Net Assets	\$ 464,601	\$ 980,212	\$ (668,788)	\$ (1,649,000)	(168.2)

The Township's governmental revenues have increased slightly compared to 2006, primarily attributable to a significant increase in investment earnings. The Township anticipates that the revenue stream will remain constant. It is also worth noting that although the Township did experience a decrease in state-shared revenue of \$31,670, that is a small decrease compared to recent years.

Expenses increased by \$2,160,373, or 12.2 percent, over the last fiscal year. This increase is primary attributable to a \$1,953,000 contribution during 2007 to fund the Township's OPEB (other postemployment benefits) plan, as well as the continued growth of Independence Township and related demand for various services by the community.

Charter Township of Independence

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	2005	2006	2007	Change from Prior Year	
				Amount	Percent
Assets					
Current assets	\$ 12,729,340	\$ 10,788,099	\$ 10,797,283	\$ 9,184	0.1
Capital assets	64,075,945	67,164,455	66,619,365	(545,090)	(0.8)
Other noncurrent assets	609,599	472,014	-	(472,014)	(100.0)
Total assets	77,414,884	78,424,568	77,416,648	(1,007,920)	(1.3)
Liabilities					
Current liabilities	2,126,357	1,598,890	1,560,082	(38,808)	(2.4)
Long-term liabilities	16,841,428	18,225,000	17,345,000	(880,000)	(4.8)
Total liabilities	18,967,785	19,823,890	18,905,082	(918,808)	(4.6)
Net Assets					
Invested in capital assets - Net of related debt	46,419,517	48,079,455	48,394,365	314,910	0.7
Restricted	609,599	472,014	-	(472,014)	(100.0)
Unrestricted	11,417,983	10,049,209	10,117,201	67,992	0.7
Total net assets	<u>\$ 58,447,099</u>	<u>\$ 58,600,678</u>	<u>\$ 58,511,566</u>	<u>\$ (89,112)</u>	(0.2)
	2005	2006	2007	Change from Prior Year	
				Amount	Percent
Changes in Net Assets					
Operating revenue	\$ 4,912,794	\$ 5,085,861	\$ 4,938,063	\$ (147,798)	(2.9)
Operating expenses, before depreciation	4,844,006	4,462,021	5,310,241	848,220	19.0
Operating Income (Loss) - Before depreciation	68,788	623,840	(372,178)	(996,018)	(159.7)
Depreciation Expense	1,950,136	2,445,556	2,535,220	89,664	3.7
Operating Loss	(1,881,348)	(1,821,716)	(2,907,398)	(1,085,682)	(59.6)
Nonoperating Revenue	122,946	188,861	337,541	148,680	78.7
Capital Contributions	4,912,721	1,786,434	2,480,745	694,311	38.9
Change in Net Assets	<u>\$ 3,154,319</u>	<u>\$ 153,579</u>	<u>\$ (89,112)</u>	<u>\$ (242,691)</u>	(158.0)

Charter Township of Independence

Management's Discussion and Analysis (Continued)

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides water to the residents using a community well system owned, operated, and maintained by the Township. The Township provides sewage treatment through the Clinton-Oakland sewage system. In 2007, the operating revenue and expenses stayed fairly consistent to prior years. As with prior years, a major source of growth in the water and sewer systems was water and sewer lines contributed by developers. During fiscal 2007, developers contributed approximately \$1.82 million of water and sewer lines to the Township.

The Township's Funds

Our analysis of the Township's major funds begins on pages 11 and 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Police Millage Fund, Fire Millage Fund, Library Fund, Parks and Recreation Fund, and the Safety Paths Millage Fund.

The General Fund pays for the Township's governmental services. The most significant expenditure of the General Fund is a transfer to support the Parks and Recreation Fund. Parks and Recreation charges for participation in many of the programs it offers; however, these charges do not cover all costs. Also, there are some programs and activities of Parks and Recreation for which the participants are not charged.

General Fund Budgetary Highlights

Over the course of the year, Township administration and the Township board monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenues were approximately \$350,000 over budget, primarily due to the Township's very conservative budgeting for revenues. Expenditures were approximately \$273,000 under budget.

Capital Asset and Debt Administration

At the end of 2007, the Township had approximately \$82.2 million invested in a broad range of capital assets, including land, building, fire equipment, safety paths, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Oakland County Road Commission, along with the responsibility to maintain them.

Charter Township of Independence

Management's Discussion and Analysis (Continued)

The most significant increase in capital assets for the Township are from the business-type activities, which experienced their largest increase in capital assets in the utility system. Nearly 92 percent of this increase to the utility system resulted from contributions from developers. In these cases, the Township did not have a direct cost associated with the installation of the utilities but does have the responsibility to operate and maintain them. In addition, the utility system has begun a large capital improvement utilizing the Drinking Water Revolving Fund (DWRF) grants, which allow the Township to repay the cost of the project over 20 years at a low interest rate.

Economic Factors and Next Year's Budget and Rates

Independence Township (population 32,500) is primarily a residential community located in northern Oakland County, Michigan. Over the past several years, the Township has been experiencing an average increase in assessed value an annual average of 7.42 percent. However, for 2008, the Township will actually experience a slight decrease in taxable value, less than 1 percent. The assessed value increase exhibited in prior years was mainly due to the development of vacant land and new housing starts which began to decline in late 2005 and has continued into 2008. While the Township has been experiencing declining residential construction, retail/commercial construction has increased. Independence Township has been chosen as the site of a new McLaren Health System development which will help spur additional retail investment over the next few years.

In 2007, the Township established a Tax Increment Financing Authority (TIFA), known as a Corridor Improvement Authority (CIA). As a result of this, a portion of the property taxes collected for the Township along with the County will be captured for projects specifically identified for the area included in the CIA. The CIA is in place for the area of most significant retail development. It is anticipated that the improvements will be funded by the capture of taxes and encourage retail growth in this area.

Revenue sharing remains a significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as it looks for solutions, revenue sharing has dwindled. The governor's current budget calls for a level funding for state revenue-sharing payments. These levels continue to be below earlier levels.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Independence

Statement of Net Assets December 31, 2007

	Primary Government			Component
	Governmental	Business-type		Unit - Downtown
	Activities	Activities	Total	Development
				Authority
Assets				
Cash and investments (Note 3)	\$ 15,530,839	\$ 8,857,163	\$ 24,388,002	\$ 2,800
Receivables - Net:				
Property taxes	5,496,017	-	5,496,017	-
Customers	-	1,242,440	1,242,440	-
Special assessments	1,430,787	697,161	2,127,948	-
Due from other governmental units	79,150	-	79,150	-
Other	251,571	519	252,090	-
Capital assets - Net (Note 5):				
Depreciable	13,412,615	66,584,493	79,997,108	-
Nondepreciable	2,153,326	34,872	2,188,198	-
Total assets	38,354,305	77,416,648	115,770,953	2,800
Liabilities				
Accounts payable	1,121,184	509,958	1,631,142	3,436
Due to other governmental units	13,995	-	13,995	-
Accrued and other liabilities	263,764	170,124	433,888	-
Deferred revenue (Note 7)	11,825,703	-	11,825,703	-
Noncurrent liabilities (Note 8):				
Compensated absences:				
Due within one year	30,000	-	30,000	-
Due in more than one year	308,484	-	308,484	-
Long-term debt:				
Due within one year	391,266	880,000	1,271,266	-
Due in more than one year	485,000	17,345,000	17,830,000	-
Total liabilities	14,439,396	18,905,082	33,344,478	3,436
Net Assets				
Invested in capital assets - Net of related debt	14,689,675	48,394,365	63,084,040	-
Restricted:				
Police and fire millage	2,654,647	-	2,654,647	-
Library	403,836	-	403,836	-
Safety paths millage	1,341,221	-	1,341,221	-
Community Development Block Grant	2,511	-	2,511	-
Capital expenditures and debt service	-	-	-	-
Capital Project Funds	877,274	-	877,274	-
Unrestricted	3,945,745	10,117,201	14,062,946	(636)
Total net assets	\$ 23,914,909	\$ 58,511,566	\$ 82,426,475	\$ (636)

Charter Township of Independence

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,797,954	\$ 110,057	\$ -	\$ -
Public safety	9,774,226	894,521	2,872	-
Public works	681,544	33,924	-	30,600
Public services	1,791,573	1,050,957	275,849	-
Health and welfare	528,164	69,797	-	-
Recreation and culture	4,305,145	933,903	77,059	-
Interest on long-term debt	48,841	-	-	-
Total governmental activities	19,927,447	3,093,159	355,780	30,600
Business-type activities:				
Water	4,052,680	2,415,292	46,465	1,058,877
Sewer	4,235,150	2,476,306	-	1,421,868
Total business-type activities	8,287,830	4,891,598	46,465	2,480,745
Total primary government	<u>\$ 28,215,277</u>	<u>\$ 7,984,757</u>	<u>\$ 402,245</u>	<u>\$ 2,511,345</u>
Component unit - Downtown Development Authority				
	<u>\$ 46,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
			Unit -
			Downtown
Governmental	Business-type		Development
Activities	Activities	Total	Authority
\$ (2,687,897)	\$ -	\$ (2,687,897)	\$ -
(8,876,833)	-	(8,876,833)	-
(617,020)	-	(617,020)	-
(464,767)	-	(464,767)	-
(458,367)	-	(458,367)	-
(3,294,183)	-	(3,294,183)	-
(48,841)	-	(48,841)	-
(16,447,908)	-	(16,447,908)	-
-	(532,046)	(532,046)	-
-	(336,976)	(336,976)	-
-	(869,022)	(869,022)	-
(16,447,908)	(869,022)	(17,316,930)	-
-	-	-	(46,535)
11,763,959	-	11,763,959	-
2,396,003	-	2,396,003	-
1,144,885	779,910	1,924,795	2,719
392,805	-	392,805	-
81,468	-	81,468	11,678
15,779,120	779,910	16,559,030	14,397
(668,788)	(89,112)	(757,900)	(32,138)
24,583,697	58,600,678	83,184,375	31,502
\$ 23,914,909	\$ 58,511,566	\$ 82,426,475	\$ (636)

Charter Township of Independence

	General Fund	Police Millage Fund	Fire Millage Fund	Library Fund
Assets				
Cash and investments	\$ 3,560,325	\$ 3,042,676	\$ 4,892,881	\$ 1,120,302
Receivables - Net:				
Property taxes	799,448	1,551,095	2,192,776	521,616
Due from other governments	23,697	-	-	-
Special assessments and other	599,772	13,338	150,849	-
Total assets	<u>\$ 4,983,242</u>	<u>\$ 4,607,109</u>	<u>\$ 7,236,506</u>	<u>\$ 1,641,918</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 349,727	\$ 313,292	\$ 342,930	\$ 28,225
Due to other governmental units	13,995	-	-	-
Accrued and other liabilities	98,776	1,740	90,987	20,943
Deferred revenue	1,782,925	3,442,035	4,997,984	1,188,914
Total liabilities	2,245,423	3,757,067	5,431,901	1,238,082
Fund Balances				
Reserved for (Note 1):				
Debt service	-	-	-	-
Cemetery care	-	-	-	-
Unreserved, reported in:				
General Fund	2,737,819	-	-	-
Special Revenue Funds	-	850,042	1,804,605	403,836
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total fund balances	<u>2,737,819</u>	<u>850,042</u>	<u>1,804,605</u>	<u>403,836</u>
Total liabilities and fund balances	<u>\$ 4,983,242</u>	<u>\$ 4,607,109</u>	<u>\$ 7,236,506</u>	<u>\$ 1,641,918</u>

**Governmental Funds
Balance Sheet
December 31, 2007**

Parks and Recreation Fund	Safety Paths Millage Fund	Other Governmental Funds	Total Governmental Funds
\$ (2,234)	\$ 1,693,095	\$ 1,223,794	\$ 15,530,839
-	277,842	81,538	5,424,315
-	-	55,453	79,150
-	-	666,828	1,430,787
<u>\$ (2,234)</u>	<u>\$ 1,970,937</u>	<u>\$ 2,027,613</u>	<u>\$ 22,465,091</u>
\$ 59,274	\$ 14,026	\$ 13,710	\$ 1,121,184
-	-		13,995
31,251	1,523	1,267	246,487
-	614,167	726,119	12,752,144
90,525	629,716	741,096	14,133,810
-	-	118,813	118,813
-	-	508,045	508,045
-	-	-	2,737,819
(92,759)	1,341,221	765	4,307,710
-	-	(149,993)	(149,993)
-	-	808,887	808,887
<u>(92,759)</u>	<u>1,341,221</u>	<u>1,286,517</u>	<u>8,331,281</u>
<u>\$ (2,234)</u>	<u>\$ 1,970,937</u>	<u>\$ 2,027,613</u>	<u>\$ 22,465,091</u>

Charter Township of Independence

Governmental Funds Reconciliation of Governmental Fund Balances to Net Assets December 31, 2007

Fund Balances - Total Governmental Funds	\$ 8,331,281
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,565,941
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Long-term liabilities and related accrued interest expense are not due and payable in the current period and are not reported in the funds	(893,543)
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Compensated absences are included as a liability in governmental activities	(338,484)
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Special assessment and receivables for other charges for service that are not expected to be collected currently and are not available to pay for current expenditures.	926,441
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Delinquent personal property taxes are not recognized as revenue in the funds until received; the government-wide statements recognize an estimate of the amount that will ultimately be collected	71,702
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Expenses are normally expensed when paid in the funds; the government-wide statements allocate prepaid expenses over future periods	<u>251,571</u>
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Net Assets of Governmental Activities	<u>\$ 23,914,909</u>
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Charter Township of Independence

	General Fund	Police Millage Fund	Fire Millage Fund	Library Fund
Revenue				
Property taxes	\$ 1,793,172	\$ 3,377,594	\$ 4,783,973	\$ 1,135,846
Licenses and permits	965,414	-	-	-
Federal grants	-	-	-	-
State-shared and other grants	2,396,072	22,409	-	77,059
Charges for services	123,094	275,956	450,279	338
Fines and forfeitures	-	130,408	2,240	13,240
Special assessments	-	-	-	-
Interest and rentals	386,884	159,196	245,659	84,002
Other	734,380	-	14,917	1,607
Total revenue	6,399,016	3,965,563	5,497,068	1,312,092
Expenditures				
Current:				
General government	3,368,558	-	-	-
Public safety	-	4,015,262	5,164,290	-
Public works	-	-	-	-
Public services	1,407,495	-	-	-
Recreation and culture	-	-	-	1,741,310
Capital outlay	118,418	-	1,637,332	-
Debt service	-	-	446,368	-
Total expenditures	4,894,471	4,015,262	7,247,990	1,741,310
Excess of Revenue Over (Under) Expenditures	1,504,545	(49,699)	(1,750,922)	(429,218)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(1,564,000)	-	-	-
Sales of capital assets	-	-	139,084	-
Total other financing sources (uses)	(1,564,000)	-	139,084	-
Net Change in Fund Balances	(59,455)	(49,699)	(1,611,838)	(429,218)
Fund Balances - Beginning of year	2,797,274	899,741	3,416,443	833,054
Fund Balances - End of year	<u>\$ 2,737,819</u>	<u>\$ 850,042</u>	<u>\$ 1,804,605</u>	<u>\$ 403,836</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2007

Parks and Recreation Fund	Safety Paths Millage Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 605,041	\$ -	\$ 11,695,626
-	-	-	965,414
-	-	26,475	26,475
-	-	-	2,495,540
899,755	-	-	1,749,422
-	-	-	145,888
-	-	89,447	89,447
9,007	115,805	178,886	1,179,439
-	8,431	13,635	772,970
908,762	729,277	308,443	19,120,221
-	-	-	3,368,558
-	-	-	9,179,552
-	635,979	-	635,979
-	-	307,907	1,715,402
2,303,214	-	40,005	4,084,529
-	-	5,319	1,761,069
-	-	81,255	527,623
2,303,214	635,979	434,486	21,272,712
(1,394,452)	93,298	(126,043)	(2,152,491)
1,314,000	-	250,000	1,564,000
-	-	-	(1,564,000)
-	-	-	139,084
1,314,000	-	250,000	139,084
(80,452)	93,298	123,957	(2,013,407)
(12,307)	1,247,923	1,162,560	10,344,688
<u>\$ (92,759)</u>	<u>\$ 1,341,221</u>	<u>\$ 1,286,517</u>	<u>\$ 8,331,281</u>

Charter Township of Independence

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ (2,013,407)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	805,175
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(95,244)
Expenses are normally expensed when paid in the funds; the government-wide statements allocate prepaid expenses over future periods	15,087
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	249,374
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	471,368
Interest expense is recorded in the statement of activities when a liability is incurred; it is reported in the funds only when payment is due	7,413
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(21,554)
Governmental funds report all proceeds of fixed assets as revenue; in the statement of activities, only the difference between the net book value and the proceeds is reported as revenue	<u>(87,000)</u>

Change in Net Assets of Governmental Activities **\$ (668,788)**

Charter Township of Independence

Proprietary Funds Statement of Net Assets December 31, 2007

	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,452,151	\$ 4,405,012	\$ 8,857,163
Receivables:			
Customer usage	611,710	630,730	1,242,440
Special assessments and other	169,908	527,772	697,680
Due from other funds	-	158,063	158,063
Total current assets	5,233,769	5,721,577	10,955,346
Noncurrent assets - Capital assets	42,602,988	24,016,377	66,619,365
Total assets	47,836,757	29,737,954	77,574,711
Liabilities			
Current liabilities:			
Accounts payable	54,489	455,469	509,958
Accrued and other liabilities	25,343	144,781	170,124
Due to other funds	158,063	-	158,063
Current portion of long-term debt	880,000	-	880,000
Total current liabilities	1,117,895	600,250	1,718,145
Noncurrent liability - Long-term debt -			
Net of current portion	17,345,000	-	17,345,000
Total liabilities	18,462,895	600,250	19,063,145
Net Assets			
Investment in capital assets - Net of related debt	24,377,988	24,016,377	48,394,365
Unrestricted	4,995,874	5,121,327	(48,394,365)
Total net assets	<u>\$ 29,373,862</u>	<u>\$ 29,137,704</u>	<u>\$ 58,511,566</u>

Charter Township of Independence

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Water Fund	Sewer Fund	Total
Operating Revenue			
Customer usage charges	\$ 2,251,850	\$ 2,265,503	\$ 4,517,353
Meters and installation charges	99,659	-	99,659
Other services and charges	110,248	210,803	321,051
Total operating revenue	2,461,757	2,476,306	4,938,063
Operating Expenses			
Cost of sewage treatment	-	1,486,885	1,486,885
Personnel services	1,000,329	887,428	1,887,757
Supplies	46,477	172,917	219,394
Depreciation	1,385,179	1,150,041	2,535,220
Other services and charges	1,178,326	537,879	1,716,205
Total operating expenses	3,610,311	4,235,150	7,845,461
Operating Loss	(1,148,554)	(1,758,844)	(2,907,398)
Nonoperating Revenue (Expense)			
Investment income	405,634	374,276	779,910
Interest expense	(442,369)	-	(442,369)
Loss - Before contributions	(1,185,289)	(1,384,568)	(2,569,857)
Capital Contributions			
Capital charge/tap-in fees	331,617	326,388	658,005
Lines constructed by developers	727,260	1,095,480	1,822,740
Total capital contributions	1,058,877	1,421,868	2,480,745
Change in Net Assets	(126,412)	37,300	(89,112)
Net Assets - Beginning of year	29,500,274	29,100,404	58,600,678
Net Assets - End of year	<u><u>\$ 29,373,862</u></u>	<u><u>\$ 29,137,704</u></u>	<u><u>\$ 58,511,566</u></u>

Charter Township of Independence

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2007

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,360,322	\$ 2,425,255	\$ 4,785,577
Payments to suppliers	(1,305,142)	(2,180,196)	(3,485,338)
Payments to employees	(1,004,187)	(879,524)	(1,883,711)
Net cash provided by (used in) operating activities	50,993	(634,465)	(583,472)
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments (principal and interest)	-	193,264	193,264
Purchase of capital assets	(96,464)	(105,105)	(201,569)
Capital charges and tap-in fees	331,617	326,388	658,005
Principal and interest paid on capital debt	(1,302,369)	-	(1,302,369)
Net cash (used in) provided by capital and related financing activities	(1,067,216)	414,547	(652,669)
Cash Flows from Investing Activities - Interest received on investments	405,634	374,276	779,910
Net (Decrease) Increase in Cash and Cash Equivalents	(610,589)	154,358	(456,231)
Cash and Cash Equivalents - Beginning of year	5,062,740	4,250,654	9,313,394
Cash and Cash Equivalents - End of year	<u>\$ 4,452,151</u>	<u>\$ 4,405,012</u>	<u>\$ 8,857,163</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and cash equivalents	<u>\$ 4,452,151</u>	<u>\$ 4,405,012</u>	<u>\$ 8,857,163</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (1,148,554)	\$ (1,758,844)	\$ (2,907,398)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	1,385,179	1,150,041	2,535,220
Changes in assets and liabilities:			
Receivables	(101,435)	(51,051)	(152,486)
Other assets	(44,903)	-	(44,903)
Accounts payable	(35,436)	(27,418)	(62,854)
Accrued and other liabilities	(3,858)	52,807	48,949
Net cash provided by (used in) operating activities	<u>\$ 50,993</u>	<u>\$ (634,465)</u>	<u>\$ (583,472)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2007, the Water and Sewer Funds received \$1,822,740 of lines donated by a developer.

Charter Township of Independence

Fiduciary Funds Statement of Assets and Liabilities December 31, 2007

Assets

Cash and cash equivalents	\$ 1,715,854
Delinquent taxes receivable	<u>43,965</u>
Total assets	<u><u>\$ 1,759,819</u></u>

Liabilities

Accrued and other liabilities	\$ 184,832
Due to other governmental units	689,988
Cash bonds and deposits	<u>884,999</u>
Total liabilities	<u><u>\$ 1,759,819</u></u>

Charter Township of Independence

**Notes to Financial Statements
December 31, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Independence (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Independence:

Reporting Entity

The Charter Township of Independence is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Discretely Presented Component Unit - The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is selected by the Township board. In addition, the DDA's budget is subject to approval by the Township board. The DDA's ability to levy taxes lapsed in 1996. In 1997, the Township board decided not to extend the life of the DDA. The remaining assets of the DDA have been earmarked for various projects still outstanding. The DDA does not issue its own set of financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Charter Township of Independence

**Notes to Financial Statements
December 31, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Police Millage Fund - The Police Millage Fund accounts for all financial resources of public safety. Activities are financed through a dedicated millage and other sources.

Fire Millage Fund - The Fire Millage Fund accounts for all financial resources of the fire department. Activities are financed through a dedicated millage and other sources.

Library Fund - The Library Fund accounts for all financial resources of the library. Activities are financed through a dedicated millage and other sources.

Parks and Recreation Fund - The Parks and Recreation Fund accounts for all financial resources of the parks and recreation department. Activities are financed through service charges and General Fund contributions.

Safety Paths Millage Fund - The Safety Paths Millage Fund accounts for finances related to the construction and maintenance of sidewalks and pathways. Activities are funded through a dedicated millage and other sources.

The Township reports the following major proprietary funds:

Water and Sewer Funds - The Water and Sewer Funds are used to account for the provision of water and sewer services to the residents of the Township financed primarily by user charges. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, billings, and collections.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund type:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year and are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

The 2006 taxable valuation of the Township totaled \$1.648 billion. The taxes levied and the resulting revenue by fund were as follows:

	Millage Rate	Revenue
Operating millage (General Fund)	1.0193	\$ 1,793,172
Special Revenue Funds:		
Fire millage - Operations and advanced life support	2.9047	4,783,973
Library operating	0.6910	1,135,846
Police millage - Operations	2.0547	3,377,594
Safety paths millage - Construction	0.3681	605,041
Total	<u>7.0378</u>	<u>11,695,626</u>
Other - Tax collection and trailer park fees		<u>68,333</u>
Total		<u>\$ 11,763,959</u>

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide statements.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - Township ordinance and county contracts require amounts to be set aside in the Enterprise Funds for construction and debt service principal and interest. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Charter Township of Independence's water and sewer lines.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15-20 years
Safety paths	20 years
Buildings and building improvements	20-30 years
Library books	10 years
Machinery and equipment, including leased equipment	3-10 years
Office equipment	3-7 years
Vehicles	3-20 years
Utility systems	40 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - December 31, 2006		\$ (539,420)
Current year building permit revenue	\$ 407,394	
Related expenses - Direct costs	<u>(648,695)</u>	<u>(241,301)</u>
Cumulative shortfall - December 31, 2007		<u>\$ (780,721)</u>

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Fund Deficits - The Township has accumulated fund deficits in the following individual funds: the Parks and Recreation Fund, the Capital Projects Fund, the Community Development Block Grant Fund, the Sashabaw Drain Capital Projects Fund, the Sashabaw Drain Debt Service Fund, and the Sashabaw Road Debt Service Fund. The deficits will be funded primarily by special assessment collections, recognition of deferred revenue, and operating transfers from other funds.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated 10 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$6,376,058 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Commercial paper	\$ 896,622	27 days
U.S. agency securities	11,212,199	2.7 years
U.S. agency pools	1,601,909	19.5 years
U.S. government securities	3,583,303	6.1 years

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 1,865,511	AAA	S&P
U.S. agency securities	11,212,199	AAA	S&P
U.S. agency pools	1,601,909	AAA	S&P
U.S. government securities	3,586,303	AAA	S&P
Commercial paper	299,414	A-I +	S&P
Commercial paper	299,919	A-I	S&P
Commercial paper	297,289	A-I -	S&P

Note 4 - Defined Contribution Retirement Plan

The Township provides a defined contribution pension plan to all of its full-time employees, excluding full-time employees of the fire department, who have elected to be covered under the Municipal Employees' Retirement System of Michigan (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes up to 10 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$305,000 and the employee contributions were immaterial.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2007	Reclassifications	Additions	Disposals	Balance December 31, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,153,326	\$ -	\$ -	\$ -	\$ 1,153,326
Development rights	1,000,000	-	-	-	1,000,000
Construction in progress	855,420	(855,420)	-	-	-
Subtotal	3,008,746	(855,420)	-	-	2,153,326
Capital assets being depreciated:					
Safety paths	7,190,653	-	159,345	-	7,349,998
Buildings and improvements	8,649,754	-	214,874	-	8,864,628
Land improvements	3,036,062	855,420	-	-	3,891,482
Vehicles	3,813,994	-	1,338,915	158,000	4,994,909
Office equipment	1,774,512	-	67,346	10,178	1,831,680
Library books	2,770,757	-	178,623	-	2,949,380
Machinery and equipment	3,070,357	-	283,436	-	3,353,793
Leased equipment	32,519	-	-	-	32,519
Subtotal	30,338,608	855,420	2,242,539	168,178	33,268,389
Accumulated depreciation:					
Safety paths	4,166,172	-	305,779	-	4,471,951
Buildings and improvements	3,761,353	-	294,533	-	4,055,886
Land improvements	2,162,110	-	138,618	-	2,300,728
Vehicles	2,191,903	-	209,570	71,000	2,330,473
Office equipment	1,566,068	-	98,537	10,178	1,654,427
Library books	1,765,955	-	219,754	-	1,985,709
Machinery and equipment	2,886,027	-	170,573	-	3,056,600
Subtotal	18,499,588	-	1,437,364	81,178	19,855,774
Net capital assets being depreciated	11,839,020	855,420	805,175	87,000	13,412,615
Net capital assets	\$ 14,847,766	\$ -	\$ 805,175	\$ 87,000	\$ 15,565,941

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets (Continued)

	Balance January 1, 2007	Reclassifi- cations	Additions	Disposals	Balance December 31, 2007
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 96,264	\$ (61,392)	\$ -	\$ -	\$ 34,872
Construction in progress	651,064	(651,064)	-	-	-
Subtotal	747,329	(712,456)	-	-	34,872
Capital assets being depreciated:					
Land improvements	-	61,392	-	-	61,392
Utility system	95,835,718	651,064	1,858,406	-	98,345,144
Buildings and building improvements	1,104,015	-	-	-	1,104,015
Vehicles	685,868	13,956	13,500	-	713,324
Office equipment	85,864	-	35,053	-	120,917
Machinery and equipment	1,261,287	(13,956)	83,216	-	1,330,547
Subtotal	98,972,752	712,456	1,990,175	-	101,675,339
Accumulated depreciation:					
Land improvements	-	45,168	4,774	-	49,942
Utility system	30,268,678	-	2,360,623	-	32,629,301
Buildings and building improvements	755,887	(45,168)	35,829	-	746,548
Vehicles	405,767	-	29,176	-	434,943
Office equipment	80,789	-	9,459	-	90,248
Machinery and equipment	1,044,505	-	95,359	-	1,139,864
Subtotal	32,555,626	-	2,535,220	-	35,090,846
Net capital assets being depreciated	66,417,126	712,456	(545,045)	-	66,584,493
Net capital assets	<u>\$ 67,164,455</u>	<u>\$ 61,392</u>	<u>\$ (545,045)</u>	<u>\$ -</u>	<u>\$ 66,619,365</u>

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 131,448
Public safety	417,746
Public works	59,960
Public services	6,699
Recreation and culture	<u>821,511</u>
Total governmental activities	<u><u>\$ 1,437,364</u></u>
Business-type activities:	
Water	\$ 1,383,290
Sewer	<u>1,150,041</u>
Total business-type activities	<u><u>\$ 2,533,331</u></u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sashabaw Road	\$ 56,126
General Fund	Deerwood 8 and 9	13,732
General Fund	Curtis Lane	78,111
General Fund	Woodhull	45,110
General Fund	Simler Drive	42,985
General Fund	Sashabaw Drain	182,818
Sewer Fund	Water Fund	361,029
Other governmental funds	General Fund	<u>159</u>
Total		<u><u>\$ 780,070</u></u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Parks and Recreation Fund	\$ 1,314,000

The Township transferred funds from the General Fund to the Parks and Recreation Fund to help cover operating expenses of the Parks and Recreation Fund that are not covered by the charges for services.

Note 7 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. All funds and governmental and business-type activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ -	\$ 11,825,703
Special assessments	677,067	-
CDBG	49,052	-
Charges for service	200,322	-
Total	<u>\$ 926,441</u>	<u>\$ 11,825,703</u>

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 8 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Special assessment bonds:						
Bow Pointe Bond Issue Series 1996-B:						
Amount of issue: \$490,000	5.0% -					
Maturing through 2010	5.60%	\$40,000	\$ 160,000	\$ (40,000)	\$ 120,000	\$ 40,000
Townsend Lake Bond Issue Series 1998-A:						
Amount of issue: \$375,000	4.0% -	\$25,000 -				
Maturing through 2013	4.85%	\$30,000	200,000	(25,000)	175,000	25,000
Total special assessment bonds			360,000	(65,000)	295,000	65,000
Installment purchase agreement - LaSalle Bank:						
Amount of issue: \$710,000		\$235,000 -				
Maturing through 2009	4.06%	\$255,000	710,000	(220,000)	490,000	235,000
General obligation bonds - Firststar Leasing Services Corp.:						
Amount of issue: \$1,700,000						
Maturing through 2008	4.79%	\$91,266	277,634	(186,368)	91,266	91,266
Total general obligation bonds, installment purchase agreements, and special assessment bonds			1,347,634	(471,368)	876,266	391,266
Other long-term obligations - Accumulated employee benefits						
			316,930	21,554	338,484	30,000
Total governmental activities			1,664,564	(449,814)	1,214,750	421,266

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bond:						
DEQ - Drinking Water Revolving Fund:						
Amount of issue: \$18,625,000		\$770,000 -				
Maturing through 2024	2.125%	\$1,130,000	\$ 17,155,000	\$ (790,000)	\$ 16,365,000	\$ 805,000
Capital Improvement Bonds Series 2005-B:						
Amount of issue: \$2,000,000	3.90% -	\$70,000 -				
Maturing through 2025	4.25%	\$145,000	1,930,000	(70,000)	1,860,000	75,000
Total business-type activities			19,085,000	(860,000)	18,225,000	880,000
Total governmental activities and business-type activities			\$ 20,749,564	\$ (1,309,814)	\$ 19,439,750	\$ 1,301,266

Special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of improvements. At December 31, 2007, the Township has \$118,813 set aside in Debt Service Funds for repayment of these bonds. In addition, there is \$666,829 of special assessments receivable in the future; the amount of receivables delinquent at December 31, 2007 is not significant.

Debt Service Requirements

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 391,266	\$ 34,510	\$ 425,776	\$ 880,000	\$ 420,296	\$ 1,300,296
2009	325,000	28,121	353,121	895,000	400,265	1,295,265
2010	70,000	6,078	76,078	925,000	379,915	1,304,915
2011	30,000	3,578	33,578	940,000	358,839	1,298,839
2012	30,000	2,168	32,168	965,000	337,444	1,302,444
2013-2017	30,000	728	30,728	5,160,000	1,347,288	6,507,288
2018-2022	-	-	-	5,765,000	731,119	6,496,119
2023-2027	-	-	-	2,695,000	109,518	2,804,518
Total	\$ 876,266	\$ 75,183	\$ 951,449	\$ 18,225,000	\$ 4,084,684	\$ 22,309,684

Charter Township of Independence

**Notes to Financial Statements
December 31, 2007**

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability and property, unemployment compensation, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Defined Benefit Pension Plan

Plan Description

The Township contributes to the Municipal Employees' Retirement System of Michigan (the "System"), an agent multiple-employer defined benefit pension plan that covers only full-time fire employees of the Township. The System provides retirement benefits, as well as death and disability benefits. The Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units and requires contributions from the employees of the Township.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the year ended December 31, 2007, the Township's annual pension cost of \$227,637 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using an entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) an additional projected salary increase of 0 percent to 8.4 percent per year, attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

	Fiscal Year Ended December 31		
	2005	2006	2007
Annual pension costs (APC)	\$ 219,776	\$ 215,782	\$ 227,637
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Postemployment Benefits

In 2007, the Township established a fund pursuant to Public Act 149 of 1999. The purpose of the fund is to hold and invest monies to be used for future payments of retiree healthcare benefits. The fund assets were placed in the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. Given that this plan is administered by MERS, the Township does not report the plan's assets within the basic financial statements. During the year ended December 31, 2007, the Township contributed \$1,953,000 to this fund. As of year end, the total holdings of the trust were \$1,980,367.91.

Charter Township of Independence

Notes to Financial Statements December 31, 2007

Note 12 - Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postretirement Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Required Supplemental Information

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
Property taxes	\$ 1,678,000	\$ 1,678,000	\$ 1,793,172	\$ 115,172
Licenses and permits	1,089,000	1,089,000	965,414	(123,586)
State-shared revenue	2,319,000	2,319,000	2,396,072	77,072
Charges for services	11,500	11,500	22,564	11,064
Interest earnings and rent	278,000	278,000	386,884	108,884
Other	571,800	571,800	734,380	162,580
Charges to other funds	100,530	100,530	100,530	-
Total revenue	6,047,830	6,047,830	6,399,016	351,186
Expenditures				
General government:				
Township board	680,300	680,300	575,222	105,078
Supervisor	310,930	307,754	277,950	29,804
Elections	96,400	95,812	102,291	(6,479)
Assessing	585,605	580,429	462,507	117,922
Legal	230,000	230,000	229,818	182
Clerk	471,150	466,676	456,642	10,034
Board of Review	5,850	5,850	6,601	(751)
Treasurer	357,350	354,762	355,018	(256)
Data processing	105,190	104,485	99,580	4,905
Township hall	212,740	212,152	201,456	10,696
Facilities maintenance	118,930	117,813	96,469	21,344
Fringe benefits	65,000	465,000	528,101	(63,101)
Public services:				
Cemetery	146,800	146,800	189,398	(42,598)
Building	1,346,140	1,309,552	1,232,560	76,992
Street lights	70,000	70,000	77,858	(7,858)
Drains	20,000	20,000	3,000	17,000
Transfers to other funds	1,252,800	1,564,000	1,564,000	-
Total expenditures	6,075,185	6,731,385	6,458,471	272,914
Surplus (Shortfall)	\$ (27,355)	\$ (683,555)	\$ (59,455)	\$ 624,100

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Police Millage Fund				
Revenues	\$ 3,766,000	\$ 3,766,000	\$ 3,965,563	\$ 199,563
Expenditures	3,764,237	3,793,237	4,015,262	(222,025)
Fire Millage Fund				
Revenues	5,524,100	5,659,100	5,636,152	(22,948)
Expenditures	5,771,260	5,951,260	7,027,990	(1,076,730)
Library				
Revenues	1,287,100	1,287,100	1,312,092	24,992
Expenditures	1,304,329	1,759,329	1,741,310	18,019
Parks and Recreation				
Revenues	2,152,550	2,213,750	2,222,762	9,012
Expenditures	2,152,550	2,225,455	2,303,214	(77,759)
Safety Paths Millage Fund				
Revenues	616,501	616,501	729,277	112,776
Expenditures	273,815	308,815	635,979	(327,164)

Charter Township of Independence

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions Year Ended December 31, 2007

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
Fire Employees Retirement System						
12/31/04	\$ 2,705,189	\$ 3,732,524	\$ 1,027,335	72	\$ 1,856,587	55
12/31/05	3,107,842	4,482,275	1,374,433	69	2,104,044	65
12/31/06	3,602,797	5,005,106	1,402,309	72	2,165,130	65

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
12/31/05	12/31/03	219,776	100.0
12/31/06	12/31/04	215,782	100.0
12/31/07	12/31/05	227,637	100.0

* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%
Additional projected salary increases - Seniority and merit	0.0% to 8.40%
*Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Independence

Note to Required Supplemental Information Year Ended December 31, 2007

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except that operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Each Special Revenue Fund represents a separate department.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Independence incurred expenditures that were in excess of the amounts budgeted in the following Major Special Revenue Funds:

	Budget	Actual	Variance
Police Milage Fund	\$ 3,793,237	\$ 4,015,262	\$ (222,025)
Fire Millage Fund	5,951,260	7,027,990	(1,076,730)
Parks and Recreation Fund	2,225,455	2,303,214	(77,759)
Safety Paths Fund	308,815	635,979	(327,164)

Other Supplemental Information

Charter Township of Independence

	Capital Projects	General Debt Debt Service	Special Assessments* Various*
Assets			
Cash and investments	\$ 15,475	\$ 4,864	\$ 686,615
Receivables - Net:			
Property taxes	-	-	81,538
Due from other governments	-	-	-
Special assessments and other	-	-	666,829
Due from other funds	-	-	(1)
Total assets	<u>\$ 15,475</u>	<u>\$ 4,864</u>	<u>\$ 1,434,981</u>
Liabilities and Fund Balances (Deficit)			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 546
Accrued and other liabilities	-	-	-
Deferred revenue	-	-	677,067
Total liabilities	-	-	677,613
Fund Balances (Deficit)			
Reserved for:			
Debt Service	-	-	118,813
Cemetery Perpetual Care	-	-	-
Unreserved, reported in:			
Special Revenue Funds	-	-	-
Debt Service Funds	-	4,864	(154,857)
Capital Projects Funds	15,475	-	793,412
Total fund balances (deficit)	<u>15,475</u>	<u>4,864</u>	<u>757,368</u>
Total liabilities and fund balances (deficit)	<u>\$ 15,475</u>	<u>\$ 4,864</u>	<u>\$ 1,434,981</u>

* Detail by special assessment fund is reported on subsequent pages

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

Pension Stabilization	Community Development Block Grant Special Revenue	Cable Television	Cemetery Permanent	Total Other Governmental Funds
\$ 6,254	\$ (40,214)	\$ 42,755	\$ 508,045	\$ 1,223,794
-	-	-	-	81,538
-	55,453	-	-	55,453
-	-	-	-	666,829
-	-	-	-	(1)
<u>\$ 6,254</u>	<u>\$ 15,239</u>	<u>\$ 42,755</u>	<u>\$ 508,045</u>	<u>\$ 2,027,613</u>
\$ -	\$ 12,728	\$ 436	\$ -	\$ 13,710
-	-	1,267	-	1,267
-	49,052	-	-	726,119
-	61,780	1,703	-	741,096
-	-	-	-	118,813
-	-	-	508,045	508,045
6,254	(46,541)	41,052	-	765
-	-	-	-	(149,993)
-	-	-	-	808,887
<u>6,254</u>	<u>(46,541)</u>	<u>41,052</u>	<u>508,045</u>	<u>1,286,517</u>
<u>\$ 6,254</u>	<u>\$ 15,239</u>	<u>\$ 42,755</u>	<u>\$ 508,045</u>	<u>\$ 2,027,613</u>

Charter Township of Independence

	Capital Projects	General Debt Debt Service	Special Assessments* Various*
Revenue			
Federal grants	\$ -	\$ -	\$ -
Special assessments	-	-	89,447
Interest and rentals	-	366	133,913
Other	<u>13,635</u>	<u>-</u>	<u>-</u>
Total revenue	13,635	366	223,360
Expenditures			
Current - Recreation and culture	-	-	-
Public services	247,239	-	-
Capital outlay	1,360	-	3,959
Debt service	<u>-</u>	<u>-</u>	<u>81,255</u>
Total expenditures	<u>248,599</u>	<u>-</u>	<u>85,214</u>
Excess of Revenue Over (Under)			
Expenditures	(234,964)	366	138,146
Other Financing Sources - Transfers in	<u>250,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	15,036	366	138,146
Fund Balances (Deficit) - Beginning of year	<u>439</u>	<u>4,498</u>	<u>619,222</u>
Fund Balances (Deficit) - End of year	<u><u>\$ 15,475</u></u>	<u><u>\$ 4,864</u></u>	<u><u>\$ 757,368</u></u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
In Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended December 31, 2007

Pension Stabilization	Community Development Block Grant Special Revenue	Cable Television	Cemetery Permanent	Total Other Governmental Funds
\$ -	\$ 26,475	\$ -	\$ -	\$ 26,475
-	-	-	-	89,447
-	637	5,728	38,242	178,886
-	-	-	-	13,635
-	27,112	5,728	38,242	308,443
-	-	40,005	-	40,005
-	60,668	-	-	307,907
-	-	-	-	5,319
-	-	-	-	81,255
-	60,668	40,005	-	434,486
-	(33,556)	(34,277)	38,242	(126,043)
-	-	-	-	250,000
-	(33,556)	(34,277)	38,242	123,957
6,254	(12,985)	75,329	469,803	1,162,560
<u>\$ 6,254</u>	<u>\$ (46,541)</u>	<u>\$ 41,052</u>	<u>\$ 508,045</u>	<u>\$ 1,286,517</u>

Charter Township of Independence

	Baycourt	Bowpointe	Bowpointe	Curtis Lane	Cranberry Pointe Lights
	Capital	Capital	Debt	Capital	Capital
	Projects	Projects	Service	Projects	Projects
Assets					
Cash and investments	\$ 194,378	\$ 52,366	\$ 99,838	\$ 21,271	\$ 1,396
Receivables - Net:					
Special assessments	-	-	9,033	15,711	-
Property taxes and other	-	-	5,390	2,970	622
Due from other funds	-	(1)	-	-	-
Total assets	<u>\$ 194,378</u>	<u>\$ 52,365</u>	<u>\$ 114,261</u>	<u>\$ 39,952</u>	<u>\$ 2,018</u>
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	9,033	16,700	-
Total liabilities	-	-	9,033	16,700	-
Fund Balances (Deficit)					
Reserved - Debt service	-	-	105,228	-	-
Unreserved - Reported in:					
Debt Service Funds	-	-	-	-	-
Capital Projects Funds	194,378	52,365	-	23,252	2,018
Total fund balances (deficit)	<u>194,378</u>	<u>52,365</u>	<u>105,228</u>	<u>23,252</u>	<u>2,018</u>
Total liabilities and fund balances (deficit)	<u>\$ 194,378</u>	<u>\$ 52,365</u>	<u>\$ 114,261</u>	<u>\$ 39,952</u>	<u>\$ 2,018</u>

**Other Supplemental Information
Combining Balance Sheet
Special Assessment Funds
December 31, 2007**

Deerwood Manors Capital Projects	Deerwood 8 and 9 Capital Projects	Deerwood Capital Projects	Eastview/ Westview Debt Service	Flemings Lake Capital Projects	Rohr Road Debt Service	Sashabaw Road Debt Service	Sashabaw Drain Capital Projects
\$ 20,809	\$ 10,914	\$ 4,507	\$ 3,685	\$ 272,362	\$ 733	\$ (56,126)	\$ (211,927)
-	-	-	-	47,914	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 20,809</u>	<u>\$ 10,914</u>	<u>\$ 4,507</u>	<u>\$ 3,685</u>	<u>\$ 320,276</u>	<u>\$ 733</u>	<u>\$ (56,126)</u>	<u>\$ (211,927)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175
-	-	-	-	47,913	-	-	-
-	-	-	-	47,913	-	-	175
-	-	-	3,685	-	733	-	-
-	-	-	-	-	-	(56,126)	-
<u>20,809</u>	<u>10,914</u>	<u>4,507</u>	<u>-</u>	<u>272,363</u>	<u>-</u>	<u>-</u>	<u>(212,102)</u>
<u>20,809</u>	<u>10,914</u>	<u>4,507</u>	<u>3,685</u>	<u>272,363</u>	<u>733</u>	<u>(56,126)</u>	<u>(212,102)</u>
<u>\$ 20,809</u>	<u>\$ 10,914</u>	<u>\$ 4,507</u>	<u>\$ 3,685</u>	<u>\$ 320,276</u>	<u>\$ 733</u>	<u>\$ (56,126)</u>	<u>\$ (211,927)</u>

(Continued on next page)

Charter Township of Independence

	Sashabaw Drain	Simler Drive	Thendara Road	Townsend
	Debt Service	Capital Projects	Debt Service	Capital Projects
Assets				
Cash and investments	\$ (138,953)	\$ 124,196	\$ (50)	\$ 62,758
Receivables - Net:				
Special assessments	522,876	8,500	50	62,745
Property taxes and other	45,392	2,418	-	8,386
Due from other funds	-	-	-	-
Total assets	<u><u>\$ 429,315</u></u>	<u><u>\$ 135,114</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 133,889</u></u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	528,046	8,500	-	65,891
Total liabilities	528,046	8,500	-	65,891
Fund Balances (Deficit)				
Reserved - Debt service	-	-	-	-
Unreserved - Reported in:				
Debt Service Funds	(98,731)	-	-	-
Capital Projects Funds	-	126,614	-	67,998
Total fund balances (deficit)	<u>(98,731)</u>	<u>126,614</u>	<u>-</u>	<u>67,998</u>
Total liabilities and fund balances (deficit)	<u><u>\$ 429,315</u></u>	<u><u>\$ 135,114</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 133,889</u></u>

**Other Supplemental Information
Combining Balance Sheet
Special Assessment Funds (Continued)
December 31, 2007**

Woodhull	Special	Walters Lake	Total
Capital	Assessment	Board	Special
Projects	Debt	Capital	Assessments
Projects	Service	Projects	
\$ 37,078	\$ 9,167	\$ 178,213	\$ 686,615
-	-	-	666,829
1,921	-	14,439	81,538
-	-	-	(1)
<u>\$ 38,999</u>	<u>\$ 9,167</u>	<u>\$ 192,652</u>	<u>\$ 1,434,981</u>
\$ -	\$ -	\$ 371	\$ 546
984	-	-	677,067
984	-	371	677,613
-	9,167	-	118,813
-	-	-	(154,857)
38,015	-	192,281	793,412
38,015	9,167	192,281	757,368
<u>\$ 38,999</u>	<u>\$ 9,167</u>	<u>\$ 192,652</u>	<u>\$ 1,434,981</u>

Charter Township of Independence

	Baycourt	Bowpointe	Bowpointe	Curtis Lane	Cranberry Pointe Lights
	Capital Projects	Capital Projects	Debt Service	Capital Projects	Capital Projects
Revenue					
Special assessments	\$ -	\$ -	\$ 4,517	\$ 5,499	\$ 622
Interest and rentals	<u>14,632</u>	<u>3,998</u>	<u>11,446</u>	<u>7,838</u>	<u>-</u>
Total revenue	14,632	3,998	15,963	13,337	622
Expenditures					
Capital outlay	-	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>47,660</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>47,660</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	14,632	3,998	(31,697)	13,337	622
Fund Balances (Deficit) - Beginning of year	<u>179,746</u>	<u>48,367</u>	<u>136,925</u>	<u>9,915</u>	<u>1,396</u>
Fund Balances (Deficit) - End of year	<u>\$ 194,378</u>	<u>\$ 52,365</u>	<u>\$ 105,228</u>	<u>\$ 23,252</u>	<u>\$ 2,018</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Special Assessment Funds
Year Ended December 31, 2007

Deerwood Manors Capital Projects	Deerwood 8 and 9 Capital Projects	Deerwood Capital Projects	Eastview/ Westview Debt Service	Flemings Lake Capital Projects	Rohr Road Debt Service	Sashabaw Road Debt Service	Sashabaw Drain Capital Projects
\$ - 1,502	\$ - 1,845	\$ - 339	\$ - 277	\$ - 20,500	\$ - 55	\$ - -	\$ - -
1,502	1,845	339	277	20,500	55	-	-
-	-	-	-	-	-	-	3,959
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,959
1,502	1,845	339	277	20,500	55	-	(3,959)
19,307	9,069	4,168	3,408	251,863	678	(56,126)	(208,143)
<u>\$ 20,809</u>	<u>\$ 10,914</u>	<u>\$ 4,507</u>	<u>\$ 3,685</u>	<u>\$ 272,363</u>	<u>\$ 733</u>	<u>\$ (56,126)</u>	<u>\$ (212,102)</u>

(Continued on next page)

Charter Township of Independence

	Sashabaw Drain	Simler Drive Capital Projects	Thendara Road Debt Service	Townsend Capital Projects
Revenue				
Special assessments	\$ 54,935	\$ 5,270	\$ -	\$ 10,197
Interest and rentals	<u>32,080</u>	<u>11,955</u>	<u>-</u>	<u>9,053</u>
Total revenue	87,015	17,225	-	19,250
Expenditures				
Capital outlay	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,595</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,595</u>
Excess of Revenue Over (Under) Expenditures	87,015	17,225	-	(14,345)
Fund Balances (Deficit) - Beginning of year	<u>(185,746)</u>	<u>109,389</u>	<u>-</u>	<u>82,343</u>
Fund Balances (Deficit) - End of year	<u>\$ (98,731)</u>	<u>\$ 126,614</u>	<u>\$ -</u>	<u>\$ 67,998</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Special Assessment Funds (Continued)
Year Ended December 31, 2007

Woodhull	Special Assessment	Walters Lake Board	Total
Capital Projects	Debt Service	Capital Projects	Special Assessments
\$ 3,655	\$ -	\$ 4,752	\$ 89,447
5,820	679	11,894	133,913
9,475	679	16,646	223,360
-	-	-	3,959
-	-	-	81,255
-	-	-	85,214
9,475	679	16,646	138,146
28,540	8,488	175,635	619,222
\$ 38,015	\$ 9,167	\$ 192,281	\$ 757,368

Charter Township of Independence

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2007

	Agency Funds		
	Tax Collections	Trust and Agency	Total
Assets			
Cash and cash equivalents	\$ 689,988	\$ 1,025,866	\$ 1,715,854
Delinquent taxes receivable	-	43,965	43,965
Total assets	<u>\$ 689,988</u>	<u>\$ 1,069,831</u>	<u>\$ 1,759,819</u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 184,832	\$ 184,832
Due to other governmental units	689,988	-	689,988
Cash bonds and deposits	-	884,999	884,999
Total liabilities	<u>\$ 689,988</u>	<u>\$ 1,069,831</u>	<u>\$ 1,759,819</u>

Charter Township of Independence

**Report to the Township Board
December 31, 2007**

To the Honorable Members of the
Township Board
Charter Township of Independence
Oakland County, Michigan

We have recently completed our audit of the basic financial statements of Charter Township of Independence for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, and recommendations.

	<u>Page</u>
Report on Internal Control	1-3
Results of the Audit	4-7
Summary of Unrecorded Possible Adjustments	8
Other Recommendations	9-12

We are grateful for the opportunity to be of service to the Charter Township of Independence. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 13, 2008

June 13, 2008

To the Honorable Members of the
Township Board
Charter Township of Independence
Oakland County, Michigan

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this Report on Internal Control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Independence as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and, in several cases, material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following deficiencies to be significant deficiencies in internal control:

- During our testing of cash bank reconciliations, we noted that although bank reconciliations are being initiated shortly after the end of the month, due to the process of identifying adjustments, they are not being completed timely. We noted that the July and August bank reconciliations were performed in January 2008. We suggest that bank reconciliations should be performed, including identification of all reconciling items and posting of adjusting journal entries, within four weeks of the end of month.
- The Township's policy is to print checks and hold certain checks until they are approved at the next board meeting. As a result, checks totaling approximately \$186,000 were being held on December 31, 2007. The Township's procedure is to relieve accounts payable at the time the checks are printed instead of when they are mailed, which is not in accordance with generally accepted accounting principles. As a result of the audit, Township recorded an adjustment to increase accounts payable at December 31, 2007 by the amount of the checks being held. We recommend that the Township implement procedures to review the checks being held at December 31 and ensure that the amounts are properly reflected in the accounts payable balance.
- During our testing of accounts receivable, we noted delinquent water and sewer receivables were overstated by \$106,817 due to payments on delinquent accounts that were received from the County but were not properly recorded as a reduction of the receivable balance. As a result of the audit, Township recorded an adjustment to decrease accounts receivable at December 31, 2007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We believe that the following deficiencies constitute material weaknesses:

- Throughout the year, the General Fund pays invoices for engineering services on behalf of the developers and residents of the Township. When these invoices are paid, the General Fund records the related expenditures. In order to fund these disbursements, deposits are made by developers and residents to the Trust and Agency Fund. Because the money collected is deposited into the Trust and Agency Fund, there is a mismatch of the expenditures with the monies collected to pay for them. The Township does not record the revenue within the General Fund. We noted approximately \$410,000 which should have been matched and transferred during the year. We recommend that these transactions be monitored throughout the year so that transfers can be made to recognize the revenue within the General Fund as it is being billed.

To the Honorable Members of the
Township Board

June 13, 2008

- The trial balance download received from the Township contained differences in the Sashabaw Road Debt Service Fund between beginning fund balance and fund balance per prior year financial statement. The difference of \$260,000 was due to the result of not posting a prior year adjusting journal entry. This adjustment related to the fiscal year ending December 31, 2005. During last year's audit, we noted the Township had not made the entry. We discussed the matter with the Township during fieldwork and provided the Township with the adjustment to be booked in year ending December 31, 2006, but the adjusting entry was not made and therefore the fund balance on the trial balance did not agree to prior year financial statements. Upon further discussion with the finance director, we discovered that there was confusion as to what she thought we were suggesting. As a result, she attempted to go all the way back to 2005 to correct the item and roll it forward. The software would not allow this transaction. Merely posting the entry in 2006 would have corrected the issue.

This communication is intended solely for the information and use of management, the Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "Leslie J. Pulver". The signature is written in a cursive, flowing style.

Leslie J. Pulver

June 13, 2008

To the Honorable Members of the
Township Board
Charter Township of Independence
Oakland County, Michigan

We have audited the financial statements of Charter Township of Independence for the year ended December 31, 2007, and have issued our report thereon dated June 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 2, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Charter Township of Independence. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our meeting with Dave, Jim, and Shelagh, about planning matters on April 15, 2008 and in our correspondence to the other board members dated April 15, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Independence are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

- Correction to beginning of year fund balance in the Sashabaw Road Debt Service Fund due to prior year adjustments that we not posted by the Township
- Adjustment to record revenue in the General Fund and a transfer from the Trust and Agency Fund related to engineering deposits

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the organization's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

To the Honorable Members of the
Township Board

June 13, 2008

This information is intended solely for the use of Township Board and management of Charter Township of Independence and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Leslie J. Pulver". The signature is written in a cursive style with a large initial 'L'.

Leslie J. Pulver

Summary of Uncorrected Misstatements

	Nature of misstatement	Impact on financial statements
1	No property tax revenues were allocated to the CIA	Revenues were overstated by the following amounts: \$5,516 in the General Fund; \$16,154 in the Fire fund; \$11,426 in the Police fund; \$3,940 in the Library fund; \$2,364 in the Safety pat fund; \$39,401 in the aggregate of the remaining funds, and \$78,801 at the government wide level, governmental activities.
2	Delinquent water and sewer receivables were recorded in the General fund rather than in the water and sewer fund	The General Fund assets and revenue were overstated by \$37,000, as well as the government wide level, governmental activities.
3	Accrued interest receivable on investments were not adjusted to reflect actual amounts earned on investments outstanding at December 31, 2007	The General Fund assets and revenue were overstated by \$41,178 (as well as the government wide level, governmental activities).
4	Cash received from Oakland County related to delinquent water and sewer bills was recorded in the tax collection fund and not allocated to the water and sewer fund	Fiduciary fund assets and liabilities were overstated by \$61,613 (as well as the government wide level, governmental activities).
5	Plante & Moran estimated the amount of special assessments collected within 60 days of year - end, and computed a number slightly less than the Township's estimate.	We estimate that the Township's special assessment funds have overstated the amount of special assessment revenue by \$3,373. This has no impact on the government wide level, governmental activities level of reporting

Other Recommendations

Charter Township of Independence

Other Recommendations

Interim Financial Statement Review

- We noted that during our testing the Township Board does not review budget to actual reports on a regular basis. In these challenging financial times it is imperative that the governing body be aware of the Township's current financial position throughout the year. Without this knowledge it is not possible for the governing body to make informed decisions regarding the Township's financial position. The Uniform Accounting Procedures Manual published by the State of Michigan, Chapter 8, calls for the governing body to be provided a comparison of year to date revenues and expenditures, compared to budgeted amounts, at least quarterly. Included in this letter as Appendix A is Chapter 8 from the Uniform Accounting Procedures Manual, which includes required procedures and best practices.

Technology Review

During our review of the information technology (IT) system, we noted the following recommendations:

- **Authentication Controls - Network** - During our review, we noted that many of the authentication parameters used to control security on the network are not being enforced. The length of passwords is currently set to 5 characters, and should be a minimum of 7. The number of unsuccessful logon attempts is set to 5 and should be a maximum of 3. The combination of these issues creates a situation where passwords can easily be guessed or cracked by brute force. This increases the opportunity for unauthorized users to gain access to the network.
- **Authentication Controls - Financial Applications** - Currently the parameters used to enforce security for the financial applications are not being enforced. Not all users have unique IDs, users are not required to reset their password, there are no restrictions on minimum password length or number of unsuccessful timeouts, and there is no enforcement of complex passwords or length of time for inactive timeouts. These issues create a situation where passwords can be easy to guess or crack by brute force and access to the financial applications can be obtained by unauthorized users, thereby compromising the integrity of the financial statements.
- **Antivirus** - Currently, updates to the anti-virus software are not performed daily. The anti-virus software should automatically download the latest virus definition files and push them to the servers and workstations. Periodic testing of sample servers and workstations should be performed to ensure that anti-virus software is operating effectively and the virus definition files are up to date.

Charter Township of Independence

Other Recommendations (Continued)

- **Firewall Logs** - Currently, firewall logs are reviewed monthly. Management should consider performing and documenting a periodic review (at least weekly) of the logs. Any observations and actions taken as a result should be documented and retained for management's monitoring and review. This lessens the risk of unauthorized access and injection of malicious codes to network resources by outsiders. Review of logs assists management in detecting changing patterns and access attempts which may allow management to proactively avoid a future successful breach.

Other Recommendations

- During our testing of controls related to cash we noted that the Township does not receive a positive confirmation that a wire transfer was processed by the bank, the Treasurer only receives confirmation if the transfer did not go through. We suggest that the Township requests to receive confirmations from the bank and someone other than the initiator (the Treasurer) receive the confirmation.
- The Charter Township of Independence implemented new financial software in 2005, which included a point of sale cash receipts module. This is a state of the art system that has the potential to reduce errors from re-entering information and provide substantially more information than the previous manual method of cash receipting. However, because some other departments rely on the paperwork produced by the prior system, the previous manual system has also stayed in place. We recommend the Charter Township review the paperwork needs of those other departments and evaluate the possibility of eliminating the manual system of cash receipts.
- We noted the Department of Public Works collects cash over the counter for various items such as the payment of utility bills and permits. We suggest exploring whether the point of sale cash receipts module could be implemented at the DPW or at a minimum, explore the use of a cash register.
- We noted the Township does not appear to have a system in place to identify and record the disposal of capital assets. As such, minimal disposals have been recognized in the past two years. We suggest incorporating a system where there must be departmental approval to dispose of an asset which would include identification of the asset and method of disposal. These approvals should then be sent to the finance department so the proper accounting entries can be made.
- During our testing of property taxes we noted that delinquent property tax receivable has stayed the same for years. We recommend that the Township look into this balance, to see if the correct amount is recorded.

Charter Township of Independence

Other Recommendations (Continued)

- While reviewing the Township's budget, we noted that the estimated beginning fund balance and the estimated final fund balance are not included in the budget report. The Budgeting Act indicates that fund balance should be included in order to demonstrate to readers that the Township as not adopted a deficit budget. We suggest that you make this minor format revision to your budget.

Appendix A

CHAPTER 8--INTERNAL ACCOUNTING AND REPORTING

General Concept Statements

- The governing body must be provided a comparison of year to date revenues and expenditures, compared to budgeted amounts, at least quarterly. (Charter townships also have a legal responsibility under the charter township act to provide the 1st, 2nd, and 3rd quarterly reports.)
 - It may be helpful to the governing body to also see a balance sheet.

Required Procedures

The local unit's legislative body must be provided periodic financial reports from the treasurer and the clerk. Charters may alter who provides the various reports (e.g., clerk or accounting or controller or finance department). These reports will assist the board or council in determining whether the financial activity of the various funds is within the adopted budgets, the sufficiency of the cash balances to meet the needs of the current period, and whether there is sufficient cash available to cover unforeseen expenditures, etc. The required periodic reports and suggested frequency should include the following:

- Detail Revenue by Fund--Budget and Actual Monthly
- Detail Expenditures by Fund--Budget and Actual Monthly

Best Practices

- Monthly, the treasurer should produce a summary report of cash activity by fund and a summary report of cash activity by bank account, certificate of deposit and investment account.
- Monthly, the clerk (or designated official maintaining the general ledger) should produce a balance sheet by fund.
- A budgetary comparison schedule should be prepared by all local units at least quarterly and presented to their governing bodies.
- We suggest that the bookkeeping duties be periodically shifted between two or more employees (e.g., during vacations, etc.).
- For computerized accounting systems, access to the computers should be limited to only authorized personnel and/or the security system should document specific users who have initiated transactions, particularly editing or modifying transactions (general journal entries, water and sewer billing corrections, etc.).
- All accounting records, including computerized systems, should be safeguarded from loss due to fire, theft, floods or misplacement.